

LEGISLATIVE STATUS OF THE CIA RETIREMENT SYSTEM

1. Background. In the 1950's it had become clear that the Agency needed a program to minimize the adverse effects of managed attrition and to provide for the dignified retirement of employees no longer able to face the demands of rigorous, unusual, or semi-hazardous assignments. Similar problems were being handled by the Foreign Service and Federal agencies primarily concerned with the criminal laws of the United States through a program permitting a retirement annuity for employees who are separated before completing a full-term career of thirty or so years.

2. After thoroughly exploring the alternatives, the Agency recommended that it be permitted to adopt the Foreign Service retirement program. The Foreign Service program seemed admirably suited to the Agency's needs and its applicability was enhanced by the similarity of assignment and career patterns of the Agency employees involved.

Further, a number of Agency employees normally work within the Foreign Service personnel system for cover reasons. The Agency's recommendation was cleared by the Bureau of the Budget and on 14 August 1962 was transmitted to the 87th Congress.

3. The proposed legislation authorized the Agency to adopt the Foreign Service retirement authority by incorporating it by reference into the CIA Act of 1949. The simplicity of this approach had the additional merit that the CIA program would always be in step with subsequent legislative amendments to the Foreign Service retirement system. The House Armed Services Committee held hearings on 28 August 1962 and while finding no substantive fault with the Agency's proposal, recommended that the legislation be redrafted so that the retirement program would stand on its own without reference to other statutes or other retirement systems. A draft bill accomplishing this was not reported out by the Committee prior to the adjournment of the 87th Congress on 13 October 1962.

4. The Agency resubmitted its proposal to the 88th Congress, after once again obtaining clearance from the Bureau of the Budget. The proposal was based almost exclusively on the Foreign Service retirement system, and it passed the House with two amendments which were designed to assuage the concern of members of the Rules Committee and the House who desired a clearer definition of the type of employee to be covered by the system.

5. The bill was referred to the Senate Armed Services Committee on 31 October 1963, the day after it passed the House. Unlike the House, the Senate Committee did not hold hearings. Rather, one of the Committee's staff members was designated as the Agency's point of contact. Eventually, the Senate Committee changed the basis of the program from the Foreign Service system to the Civil Service retirement system. The Senate Committee also placed a limit on the number of retirements which could take place during the first ten years. The Senate Committee ordered the

amended bill favorably reported on 10 September and it was favorably reported on 24 September. The Senate approved the bill on 25 September 1964 and the House concurred on 1 October 1964, two days before the adjournment of the 88th Congress.

6. Updating the CIA Retirement Act. The CIA Retirement Act of 1964 for Certain Employees appears to be serving the best interest of the Agency, and the employees, annuitants and survivors it covers. However, in order to continue to do so, its viability primarily in the light of improvements made by other Federal staff retirement systems (notably Civil Service) must be maintained.

7. The House Armed Services Committee determination in 1962 that the Agency's retirement program should stand on its own without reference to other statutes or other retirement systems indicated that the Committee would take a continuing interest in amendments subsequently needed. This the Committee has done. The CIA Retirement Act was passed in the 88th Congress. In the 89th Congress the House Committee

favorably reported amendments designed primarily to keep pace with improvements adopted by the 89th Congress for the Civil Service system. The bill passed the House but was not acted upon by the Senate Committee. A similar bill was introduced in the House in the 90th Congress. Ultimately, only one of the eight Retirement Act amendments in that bill was acted upon by the House Committee in deference to the Senate Committee's wish to act only on a change in the cost-of-living formula for adjusting annuities (approved for the Civil Service retirement system in 1965, and approved for the CIA retirement system in 1968 (P.L. 90-539)).

8. The Agency has assembled a legislative package proposing amendments to the CIA Retirement Act for possible submission to the 91st Congress. Most of the provisions in the package are carryovers of amendments submitted to the 89th and 90th Congresses. Those dealing with increased benefits seem to be fully justified for the CIA retirement system.

9. Further, if the Agency's retirement system is to remain viable, it must keep pace with current developments, such as the minimum guaranteed benefit proposal to assure payments at least at the Social Security level and the Daniels bill (H.R. 770, 91st Cong., 1st Sess.) which as H.R. 17682 passed the House during the 90th Congress with major liberalizing benefits for the Civil Service retirement system.

10. Courses of Action. It is quite possible that our success in obtaining favorable action on amendments to the CIA Retirement Act in the 91st Congress will exceed what we have experienced in the two previous Congresses. However, recognizing that retirement legislation is a dynamic field, it is possible that a change in legislative approach to the problem of keeping the CIA Retirement Act up-to-date would prove more efficient and effective both for our legislative committees and the CIA retirement system.

11. Many of the features of the CIA Retirement Act are based squarely on provisions of the Civil Service Retirement Act. In these

cases a change in the Civil Service Retirement Act has equal merit for the CIA Retirement Act. In connection with future changes in such relevant features of the Civil Service Retirement Act and as an alternative to the requirement for separate consideration of the same matter by our legislative committee, perhaps it would be feasible to arrange for the Post Office and Civil Service Committee to report out similar amendments to the CIA Retirement Act at the same time it reports relevant amendments to the Civil Service Retirement Act. This procedure could be used in connection with legislation like the Daniels bill. Conceivably, other amendments designed to update the CIA Retirement Act to provisions already existing in the Civil Service Act could also be handled at the same time. It is recognized that this procedure would involve the temporary transfer of an Agency program to the jurisdiction of another committee. However, a similar procedure was followed without any complications when the CIA Act of 1949 was amended by the Overseas Differentials and Allowances Act of 1960 which was considered and approved by the Civil Service and Post Office Committees.

12. An alternative to this approach would be an amendment by the Armed Services Committee which would permit the Director to adopt certain provisions of the Civil Service retirement system for the CIA retirement system. Should the Committee want to retain some control over changes adopted under this authority, the amendment could provide for Committee approval of the adopting regulations similar to the requirement in P.L. 88-643 for Committee approval of the regulations establishing the CIA retirement system.

13. A third approach would be an amendment by the Armed Services Committee to trigger an automatic amendment to the CIA Retirement Act whenever the benefits of the Civil Service Retirement Act are increased through legislation, similar to the method approved by the Armed Services Committee in tying military pay to any subsequent increase authorized civilian employees under the 1967 Salary Increase Act.

14. A fourth approach would be an amendment by the Armed Services Committee to permit the Director to adopt for the CIA retirement system such provisions for other Federal staff retirement systems which are authorized by law or regulations. This is similar to the provisions of P.L. 81-110, Sec. 8(a)(2).

15. Conclusion. While not exhaustive, all of these approaches suggest means for meeting the continuing problem of keeping the CIA Retirement Act up-to-date with the Civil Service retirement system on a current and efficient basis. Although the immediate problem is to catch up to and keep in pace with improvements in the Civil Service retirement system, some of the approaches would permit certain aspects of the CIA Retirement Act to be patterned after the Foreign Service retirement system which is desirable. None of the approaches answer the conceivable future need for the CIA Retirement Act to break ground where no precedent exists in either the Foreign Service or Civil Service retirement systems.

CIA RETIREMENT ACT AMENDMENTS

The CIA Retirement Act of 1964 for Certain Employees (P.L. 88-643) covers about 25 percent of Agency staff personnel (the remainder are subject to Civil Service retirement). It provides a basis for retirement before completing a full-term career of 30 or so years of service.

The CIA Retirement Act is serving the purpose for which it was designed, but in order to continue to do so it must maintain its viability in light of improvements made by other federal staff retirement systems.

During the 89th Congress a number of amendments to the CIA Retirement Act, similar to improvements approved by the 89th Congress for the Civil Service system, passed the House but were not acted upon by the Senate. Similar amendments were introduced in the 90th Congress, but ultimately only the most urgent (change in cost-of-living adjustment formula) was approved (P.L. 90-539).

The attached chart lists the purpose of 14 amendments to the CIA Retirement Act we would like to propose to the 91st Congress. Most are carryovers of amendments approved by the House in the 89th Congress and introduced in the 90th Congress. Those dealing with increased benefits are based upon statutory precedent and seem to be fully justified for the CIA retirement system.

The most urgent new proposal is to change the present limitation in the law which restricts the number of retirements to 400 from 1 July 1969 to 30 June 1974. Under present planning this number will be exceeded at about midpoint and unless we get relief we will have to change our present personnel retirement planning.

LEGISLATIVE STATUS OF CIA RETIREMENT SYSTEM

Some ten years ago, or more, Agency management recognized the need for an improved retirement system for a certain percentage of Agency employees. It was recognized that overseas work, clandestine work and hazardous service would require a more liberal retirement system and an earlier retirement date.

After exploring all avenues, it was determined that the principles of the Foreign Service Retirement Act would fulfill the Agency's requirement for some 30 per cent, more or less, of the Agency's employees whose conditions of employment warranted more liberal treatment. (In recognition of earlier retirement requirements the Agency administratively adopted a program of having employees retire at age 60 rather than the mandatory age under the Civil Service Retirement Act at age 70.) One of the key features of the Foreign Service Act was voluntary retirement at age 50 with 20 years of service with no reduction of annuities for service below age 60. Legislative advantages were also seen in adopting the principles of a system that was already in existence and had been tested over the years. Further, the conditions of employment which justified the Foreign Service system were in many respects substantially similar to service required of Agency employees.

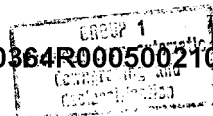
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This legislative proposal was made to the Bureau of the Budget in 1962 and they approved the Agency going to Congress requesting legislation to authorize the Director to establish a retirement system similar to the principles of the Foreign Service Retirement Act. The legislative proposal was a simple "incorporation by reference." This bill was introduced by Mr. Vinson and hearings were held. The House Armed Services Committee found no fault with the proposal on the merits but insisted that the "incorporation by reference" format be dropped in favor of specific language.

In the following year the early retirement proposal was resubmitted and in effect it was a Foreign Service Retirement Act for a certain percentage of the Agency employees. It was recognized at the time that such a procedure would require the Agency to go back to the Congress every year or so with new proposals since retirement is a dynamic subject and the record shows that both the Civil Service Retirement and Foreign Service Retirement systems are amended in every Congress.

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The House approved the early retirement proposal in substantially the form as had been presented. On the Senate side a somewhat more conservative approach was taken in committee and a number of the less important but liberalizing features of the Foreign Service Act were deleted. The principal feature of retirement at age 50 with 20 years' service was retained and the Agency was authorized to establish its own retirement system. There was not sufficient time to work on compromises between the House and Senate version if the Agency hoped to gain authority to establish the system. Therefore, in effect, the House committee and the Agency agreed to accept the Senate version with a view that some of the other items would be picked up in later years.

An excellent example of the dynamics of retirement legislation involves the Government-wide adoption of the concept of cost-of-living adjustments in annuities to retired people. The first step in this direction occurred in 1962 when a cost-of-living increase formula was enacted into the law for the Civil Service Retirement system. This formula was included in the Senate version of the Agency retirement bill and thus, after approval by the House, became a part of the law. Thereafter, the Foreign Service Retirement system and the Military Retirement system were amended to include this cost-of-living formula. Later, however, in 1965, the Civil Service Commission adjusted the precise cost-of-living formula to make it more timely. The Military Retirement system was similarly adjusted and Foreign Service proposed legislation which was not enacted in 1966 has been favorably reported by Senate Foreign Relations Committee this year.

This up-to-date cost-of-living formula is one of the main features in the current legislation pending in the Congress for the CIA system. In addition, several of the features of the Foreign Service Retirement system which were originally approved by the House but deleted by the Senate are in the package. Considerable study by Personnel, DDP and others has indicated that these features are fully justified for the Agency system and would like to see them approved by the Congress. While not necessarily the most effective way to express it to the Hill, nevertheless what the issue boils down to is that what the Congress approved as justified for the Foreign Service we believe the Agency can justify even more strongly. Therefore, the question is whether the dedicated employees of CIA whom we believe assume greater risks with less recognition are to receive less favorable treatment by the Congress than are other groups of Government employees similarly situated.

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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D. C. 20505

OFFICE OF THE DIRECTOR

17 JAN 1966

Honorable Charles L. Schultze
Director
Bureau of the Budget
Washington, D. C. 20503

Dear Mr. Schultze:

In accordance with Bureau of the Budget Circular A-19, revised, there are enclosed four copies of a draft bill, "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes". This bill is submitted for clearance by Bureau of the Budget prior to submission to the Congress. Also enclosed are copies of the explanation and justification, together with proposed letters of transmittal to the President of the Senate and the Speaker of the House of Representatives.

Section 1 of the proposed bill will bring existing provisions of law in the field of travel expenses and overseas allowances into conformity with those available to the Foreign Service. Certain other provisions relating to re-employment rights, claims arising in foreign areas, and gifts are included in the section to accomplish purposes which we believe necessary.

By letter dated 14 March 1963, the Bureau of the Budget advised that there would be no objection to the presentation of a draft bill containing these same provisions. That bill was subsequently introduced as H. R. 7216, 88th Congress. The provisions were deleted from the bill without prejudice during consideration by the House Armed Services Committee.

Section 2 contains minor authorities necessary for the administration of the Agency retirement and disability system. Section 3 amends the Federal Employees Pay Act to exclude officers and employees of the Central Intelligence Agency. This proposal is in keeping with existing Civil Service Commission Regulations.

Advice is requested as to whether the Bureau of the Budget has any objection to the presentation of the proposed bill to the Congress from the standpoint of the Administration's program.

Sincerely,

A rectangular box with a black border, used to redact the signature of the sender.

W. F. Raborn
Director

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Enclosures

A BILL

To amend the Central Intelligence Agency Act of 1949, as amended,
and for other purposes.

1 Be it enacted by the Senate and House of Representatives of
2 the United States of America in Congress assembled,

3 SEC. 1. The Central Intelligence Agency Act of 1949, as
4 amended (50 U.S.C. 403a et seq.), is further amended as follows:

5 (1) Amend section 3 by deletion of subsections (a)
6 and (b) and substitute therefor:

7 "(a) In the performance of its functions, the Agency
8 is authorized to exercise the authorities contained in sections 2301;
9 2302 (2) and (3); 2303 (b) and (c); 2304(a) (1), (2), (3), (4), (5), (6),
10 (10), (12), (15), and (17); 2305; 2306; 2307; and 2312 of title 10,
11 United States Code.

12 "(b) In the exercise of the authorities granted in sub-
13 section (a) of this section, the term 'Agency head' shall mean the
14 Director and the Deputy Director."

15 (2) Amend section 3(d) by deletion of the wording
16 "section 2(c) and section 5(a) of the Armed Services Procurement
17 Act of 1947" from the first sentence and substitute therefor,

1 "section 2304(a) and section 2307 of title 10, United States Code."
2 Further amend section 3(d) by deletion of the wording "section 2(c),
3 by section 4 or by section 5(a) of the Armed Services Procurement
4 Act of 1947" from the second sentence and substitute therefor,
5 "section 2304(a), by section 2306 or by section 2307 of title 10,
6 United States Code".

7 (3) Amend section 4 by adding the following new
8 paragraphs (1)(G) and (1)(H), and (8), and further amend section 4 by
9 deletion of the words "Under such regulations as the Director may
10 prescribe, the Agency, with respect to its officers and employees
11 assigned to duty stations outside the several States of the United
12 States of America, excluding Alaska and Hawaii, but including the
13 District of Columbia, shall--" and substitute therefor, "Under such
14 regulations as the Director may prescribe, the Agency, with respect
15 to its officers and employees assigned abroad, to duty stations out-
16 side the several States of the United States of America, excluding
17 Alaska and Hawaii, but including the District of Columbia, may--".

18 (1)(G) Pay the travel expenses of officers and
19 employees of the Agency and members of their families, while
20 serving at posts specifically designated by the Director for purposes

1 of this paragraph, for rest and recuperation to other locations
2 abroad having different environmental conditions than those at the
3 post at which such officers and employees are serving, provided
4 that such travel expenses shall be limited to the cost for each
5 officer or employee and members of his family of one round trip
6 during any continuous two-year tour unbroken by home leave and
7 two round trips during any continuous three-year tour unbroken
8 by home leave;

9 "(1)(H) Pay the travel expenses of members of the
10 family accompanying, preceding, or following an officer or
11 employee if, while he is enroute to his post of assignment, he is
12 ordered temporarily for orientation and training or is given other
13 temporary duty."

14 "(8) Provide appropriate orientation and language
15 training to members of family of officers and employees of the
16 Agency in anticipation of the assignment abroad of such officers
17 and employees, or while abroad."

18 (4) Amend section 4(3)(A) to read as follows:

19 "(3)(A) Order to any of the several States of the
20 United States of America (including the District of Columbia, the

1 Commonwealth of Puerto Rico, and any territory or possession
2 of the United States) on leave of absence authorized in section 203(f)
3 of the Annual and Sick Leave Act of 1951, as amended, each officer
4 or employee of the Agency who was a resident of the United States
5 (as described above) at the time of employment, upon completion of
6 three years' continuous service abroad or as soon as possible
7 thereafter, and may so order after completion of eighteen months
8 such service without regard to the limitation contained in section 203(f)
9 of the Annual and Sick Leave Act of 1951, as amended."

10 (5) Amend section 4(5) by striking out subsections (A)
11 and (C) and inserting in lieu thereof the following new paragraphs
12 (A) and (C):

13 "(A) In the event an officer or employee of the Agency
14 or one of his dependents, requires medical care, for illness or
15 injury not the result of vicious habits, intemperance, or misconduct,
16 while on assignment abroad in a locality where there is no qualified
17 person or facility to provide such care, pay the travel expenses of
18 such officer, employee, or dependent by whatever means deemed
19 appropriate by the Agency, including the furnishing of transportation,
20 and without regard to the Standardized Government Travel Regulations

1 and section 10 of the Act of March 3, 1933, as amended (60 Stat.
2 808; 5 U.S.C. 73b), to the nearest locality where suitable medical
3 care can be obtained and on his recovery pay for the travel expenses
4 of his return to his post of duty. If any such person is too ill to
5 travel unattended, or in the case of a dependent too young to travel
6 alone, the Agency may also pay the round-trip travel expenses of
7 an attendant or attendants;".

8 "(C)(i) In the event of illness or injury requiring
9 hospitalization or similar treatment incurred by an officer or
10 employee of the Agency while on assignment abroad, not the result of
11 vicious habits, intemperance, or misconduct on his part, pay
12 for the cost of treatment of such illness or injury;

13 "(ii) In the event a dependent of an officer or employee
14 of the Agency who is assigned abroad, incurs an illness or injury
15 while such dependent is located abroad, which requires hospitaliza-
16 tion or similar treatment, and which is not the result of vicious
17 habits, intemperance, or misconduct on his part, pay for that
18 portion of the cost of treatment of each such illness or injury that
19 exceeds \$35 up to a maximum limitation of one hundred and twenty
20 days of treatment for each such illness or injury, except that such

1 maximum limitation shall not apply whenever the Agency, on the
2 basis of professional medical advice, shall determine that such
3 illness or injury clearly is caused by the fact that such dependent
4 is or has been located abroad;".

5 (6) In section 5, add the following new paragraphs (f)
6 and (g):

7 "(f) Upon the termination of the assignment of an
8 employee appointed from another Government agency without a break
9 in service for duty with the Agency for a specific period of time
10 agreed upon by both agencies, such person will be entitled to
11 reemployment in such other Government agency in the position
12 occupied at the time of assignment, or in a position of comparable
13 salary, or, at the volition of the other Government agency, to a
14 position of higher salary. Upon reemployment, the employee shall
15 receive the within-grade salary advancements and other salary
16 adjustments he would have been entitled to receive had he remained
17 in the position in which he was employed prior to assignment to the
18 Agency.

19 "(g) Settle and pay, whenever the Director determines
20 that payment will further the purposes of this Act, without regard to

1 any other provisions of law and under such regulations as the
2 Director may prescribe, in an amount not exceeding \$10,000, any
3 claim against the United States for loss of or damage to real or
4 personal property (including loss of occupancy or use thereof),
5 belonging to, or for personal injury or death of, any person not a
6 citizen or resident of the United States, where such claim arises
7 abroad out of the act or omission of any Agency employee or out
8 of the act or omission of any person acting on behalf of the Agency
9 but only if such claim is presented in writing to the Agency
10 activity involved within one year after it accrues."

11 (7) Renumber section 7 to read section 8. Renumber
12 section 8 to read section 9, APPROPRIATIONS. Renumber
13 section 9 to read section 10, SEPARABILITY OF PROVISIONS.
14 Renumber section 10 to read section 11, SHORT TITLE. Add a
15 new section 7 as follows:

16 "7. (a) For the benefit of or for use in connection
17 with the Agency or for the benefit or welfare of employees of the
18 Agency or their dependents, the Director is authorized, notwith-
19 standing any other provisions of law--

20 "(1) to receive gifts to the Agency and in his discretion

1 to accept, receive, hold, administer, and expend or dispose
2 of such gifts and bequests of property from individuals or
3 others;

4 "(2) to disburse gifts, bequests of money, interest,
5 profits, income, or proceeds from sales of other property
6 received as gifts in accordance with the terms and conditions
7 of the acceptance of any particular gift or bequest;

8 "(3) to invest, reinvest or retain investments of the
9 money, property or securities and the interest, profits, or
10 proceeds accruing from such money, property or securities;

11 Provided, however, That the Director is not authorized, as a
12 consequence of gifts or bequests of money, property, or securities
13 to the Agency, to engage in any business or to exercise any voting
14 privilege which may be incidental to securities in his hands received
15 as a gift to the Agency, nor shall the Director make any investments
16 other than securities of the United States or other securities
17 guaranteed as to principal and interest by the United States, except
18 that he may make any investments directly authorized by the instru-
19 ment of gift, and may retain any investments accepted by him;
20 Provided further, That gifts, bequests of money, or proceeds from

1 other property are not utilized for the conduct of activities by the
2 Agency, as authorized in section 4 et seq. of this Act through the
3 augmentation or in lieu of appropriations by the United States
4 Congress; And provided further, That the funds represented by the
5 gifts, bequests of money, or proceeds from other property are
6 not commingled with funds appropriated by the United States
7 Congress.

8 "(b) For the purpose of Federal income, estate, and
9 gift taxes, gifts and bequests accepted by the Director shall
10 be deemed to be a gift or bequest to or for the use of the United
11 States."

12 SEC. 2. Title II. The Central Intelligence Agency Retire-
13 ment and Disability System, of the Central Intelligence Agency
14 Retirement Act of 1964 for Certain Employees (50 U.S.C. 403,
15 note) is amended as follows:

16 (1) Amend section 221 by striking out subsection (f) and
17 inserting the following new paragraphs (f), (g), and (h):

18 "(f) Any unmarried participant retiring under the
19 provisions of this Act and found by the Director to be in good health
20 may at the time of retirement elect a reduced annuity, in lieu of the

1 annuity as hereinbefore provided, and designate in writing a
2 person having an insurable interest (as that term is used in section
3 9(h) of the Civil Service Retirement Act (5 U.S.C. 2259(h))) in the
4 participant to receive an annuity after the participant's death. The
5 annuity payable to the participant making such election shall be
6 reduced by 10 per centum of an annuity computed as provided in
7 paragraph (a) of this section, and by 5 per centum of an annuity so
8 computed for each full five years the person designated is younger
9 than the participant, but such total reduction shall not exceed
10 40 per centum. The annuity of a survivor designated under this
11 paragraph shall be 55 per centum of the reduced annuity computed
12 as prescribed above.

13 "(g) Except as otherwise provided, the annuity of a
14 participant shall commence on the day after separation from the
15 service, or on the day after salary ceases and the participant meets
16 the service and the age or disability requirements for title thereto.
17 The annuity of a participant under section 234 shall commence on
18 the day after the occurrence of the event on which payment thereof
19 is based. An annuity otherwise payable from the fund allowed on
20 or after date of enactment of this provision shall commence on the

1 day after the occurrence of the event on which payment thereof
2 is based."

3 "(h) An annuity payable from the fund on or after date
4 of enactment of this provision shall terminate (1) in the case of a
5 retired participant, on the day death or any other terminating
6 event occurs, or (2) in the case of a survivor, on the last day of
7 the month before death or any other terminating event occurs."

8 (2) Amend section 252 by deleting subsection (c)(1);
9 renumbering subsections (c)(2) and (c)(3) to read (c)(3) and (c)(4)
10 and inserting the following new subsections (c)(1) and (c)(2):

11 "(c)(1) If an officer or employee under some other
12 Government retirement system becomes a participant in the system
13 by direct transfer, the Government's contributions under such
14 retirement system on behalf of the officer or employee shall be
15 transferred to the fund and such officer or employee's total contri-
16 butions and deposits, including interest accrued thereon, except
17 voluntary contributions, shall be transferred to his credit in the
18 fund effective as of the date such officer or employee becomes a
19 participant in the system. Each such officer or employee shall be
20 deemed to consent to the transfer of such funds and such transfer

1 shall be a complete discharge and acquittance of all claims and
2 demands against the other Government retirement fund on account
3 of service rendered prior to becoming a participant in the system.

4 "(c)(2) If a participant in the system becomes an
5 employee under another Government retirement system by direct
6 transfer to employment covered by such system, the Government's
7 contributions to the fund on his behalf may be transferred to the fund
8 of the other system and his total contributions and deposits, including
9 interest accrued thereon, except voluntary contributions, may be
10 transferred to his credit in the fund of such other retirement system
11 at the request of the officer or employee effective as of the date he
12 becomes eligible to participate in such other retirement system.
13 Each such officer or employee in requesting such transfer shall be
14 deemed to consent to the transfer of such funds and such transfer
15 shall be a complete discharge and acquittance of all claims and demands
16 against the fund on account of service rendered prior to his becoming
17 eligible for participation in such other system.

18 (3) Amend section 273 by deletion of subsection (a);
19 renumbering subsection (b) to read (c) and inserting the following
20 new subsections (a) and (b):

21 "(a) Notwithstanding any other provision of law, any

1 annuitant who has retired under this Act and who is reemployed
2 in the Federal Government service in any appointive position
3 either on a part-time or full-time basis shall be entitled to receive
4 the salary of the position in which he is serving plus so much of
5 his annuity payable under this Act which when combined with such
6 salary does not exceed during any calendar year the basic salary
7 such officer or employee was entitled to receive on the date of his
8 retirement from the Agency. Any such reemployed officer or
9 employee who receives salary during any calendar year in excess of
10 the maximum amount which he may be entitled to receive under this
11 paragraph shall be entitled to such salary in lieu of benefits here-
12 under.

13 "(b) When any such annuitant is reemployed, he shall
14 notify the Director of Central Intelligence of such reemployment
15 and shall provide all pertinent information relating thereto."

16 SEC. 3. Section 102(b) of the Federal Employees Pay Act of 1945,
17 as amended (5 U.S.C. § 902(b)), relating to exemption from coverage
18 under the Act, is amended by striking out "and" immediately preceding
19 "(7)" therein and by inserting before the period at the end thereof
20 "; and (8) officers and employees of the Central Intelligence Agency".

A BILL

To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes.

EXPLANATION AND JUSTIFICATION

The purpose of the proposed bill is to provide for technical amendment to legislative authorities pertaining to the Central Intelligence Agency. Some of the provisions are necessary to achieve desired legal clarification of existing Agency authority; others are necessary to provide authorities which have been granted by Congress elsewhere in Government for travel, medical, claims, retirement and similar house-keeping-type programs.

The specific provisions of the proposed bill together with related Central Intelligence Agency statutory provisions, if any, and explanatory notes, are set forth in the Appendix, "Sectional Analysis and Explanation."

No additional costs to the Government will result from enactment of section 2, relating to the Agency disability and retirement system, and section 3, exclusion from the Federal Employees Pay Act of 1945, as amended. Additional costs of providing the new authorities set forth in section 1 are estimated not to exceed \$155,000.00 for the first full year.

The following statements are cited to the appropriate section and subsection of the proposed bill.

SECTION 1

Sections 1(1) and (2) Procurement Authorities

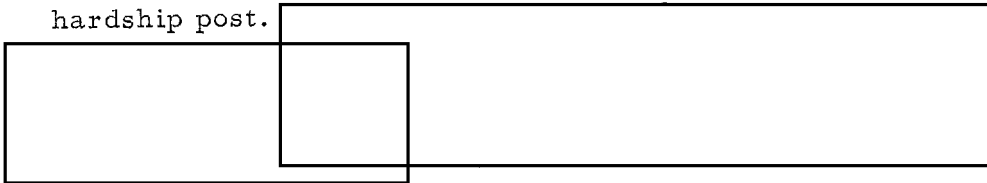
The Central Intelligence Agency Act of 1949 authorized the Agency to exercise certain specified authorities contained in the Armed Services Procurement Act of 1947. Since that time the Armed Services Procurement Act has been codified and enacted into positive law in Title 10 of the United States Code. Consequently, the purpose of these subsections is to provide corrected citations to the Armed Services Procurement Act.

Section 1(3) Allowances and Benefits

Subsection (3) amends section 4 of the Central Intelligence Agency Act of 1949 adding three new paragraphs, [(1)(G), (1)(H), and (8)]. The preceding paragraphs of section 4 were originally patterned after allowances and benefits available to Foreign Service personnel. The new paragraphs are provisions which have been subsequently authorized by the Congress for Foreign Service personnel and they are:

(a) Rest and Recuperation Travel

Paragraph (1)(G) permits the travel of employees and members of their family at Government expense for certain designated hardship posts to an area where the employee and his family may relax and obtain needed freedom from climatic and other conditions which caused his post of assignment to be designated as a hardship post.



(b) Dependents Accompanying Employee on Temporary Duty

Not infrequently, an Agency employee, upon assignment to a permanent post of duty is directed to deviate to or stop at another post enroute in order to receive orientation or training. Paragraph (1)(H) would permit the dependents of the employee to travel concurrently and remain with him at the temporary duty post with appropriate travel expenses paid by the Agency. An example of this type of travel would be the transfer of an employee from Washington to a station on the Gold Coast of Africa but with a requirement that he spend ten days enroute for briefings and familiarization. This authority would avoid requiring the employee to choose between sending his family on to the Gold Coast prior to his arrival or scheduling his departure from Washington early in order to be at the post in time to meet his family upon their arrival.

(c) Orientation and Language Training for Dependents

Paragraph (8) will permit necessary orientation or language training for members of the employee's family where this is deemed necessary because of the circumstances of the prospective post of assignment or because of contemplated duties of the employee.

Section 1(4) Home Leave

Existing authority to order employees to the United States from a post abroad for home leave is conditioned upon "completion of two years' continuous service abroad or as soon as possible thereafter." This proposal provides that the Director may order an officer or employee on home leave after completion of 18 months of continuous service abroad and shall so order as soon as possible after completion of three years of such service. At certain posts, and in certain circumstances, it is desirable to return the employee after 18 months. While at posts where conditions, or circumstances are more comparable to the United States, a tour of duty up to three years is appropriate. This proposal will give the Agency additional flexibility in managing the assignments of employees on a world-wide basis.

Section 1(5) Hospitalization and Travel for Medical Treatment

a. Travel for Medical Treatment

Existing legislation permits the Agency to pay the travel expenses of employees who suffer illness or injury abroad to the nearest locality where a suitable hospital exists. The proposed legislation removes the requirement of hospitalization and replaces it with a more realistic standard permitting travel at Government expense when travel is required to obtain adequate medical care. In many places medical care available locally is either nonexistent or is completely inadequate by U.S. standards; consequently, while the illness or injury may not require hospitalization, travel to a location where adequate medical care is available becomes a necessity. In addition, this provision includes the travel of dependents in the event of their illness or injury on the same basis as for the employee.

b. Hospitalization or Similar Treatment

Existing authority permits the Agency to pay the cost of hospitalization of an employee in the event of illness or injury incurred abroad. The proposed legislation would broaden this standard slightly by authorizing reimbursement not only for hospitalization but also for costs of medical treatment where hospitalization is not required. In many cases, although the illness or injury may not require hospitalization, treatment which cannot be obtained locally is required to prevent a more serious illness or aggravation of the injury. This proposed legislation would also permit similar reimbursement for expenses of dependents located abroad; however, for dependents there is a \$35.00 deductible clause and a maximum limitation of 120 days of treatment for each illness or injury. This maximum limitation will not apply in the event it is determined that the illness or injury clearly is caused by the fact of location of the dependent in the foreign area.

Section 1 (6) Reemployment Rights and Claims Authority

a. Reemployment Rights

This is a new authority for the Agency which would permit an individual to transfer from another department or agency to CIA for a specified period of time agreed upon by the two agencies and afford the individual statutory protection in reemployment upon completion of his Agency assignment. This authority is already available in slightly differing forms to such agencies as State Department and AID. It could be of material assistance in fulfilling critical personnel requirements in times of emergencies by giving employees transferring to CIA the assurance that they can return to their parent agency upon completion of their assignment to CIA.

b. Claims Authority

The Agency has found need for authority to process justifiable claims arising at overseas installations. The

proposed legislation would permit the Agency to settle such claims of noncitizens in amounts not exceeding \$10,000 for any one claim. This authority would extend to loss or damage to real or personal property or personal injury or death. Claims would only be payable where it was established that the loss arose abroad out of the act or omission of an Agency employee or a person acting on behalf of the Agency. Similar authority in a somewhat more extensive form is available to the military departments, Department of State and other agencies.

Section 1(7) Authority to Accept Gifts

This subsection would authorize the Director to accept gifts and bequests to the Agency for the benefit of the Agency or welfare of employees of the Agency or their dependents. It is anticipated that in future years there will be gifts or bequests from donors who are interested in the welfare of Agency employees and their dependents. For example, it is hoped that such funds may become available for scholarships which could be granted to children of Agency employees in deserving cases. This type of authority is available in varying forms to many agencies of Government today.

SECTION 2

Section 2(1) Annuity Commencement Date

Under the present CIA Retirement and Disability System, an annuitant who is fully qualified to retire and receive an immediate annuity must wait until the beginning of the month following his date of separation from the service to be eligible for such annuity. This rule works a hardship on employees who are eligible to retire and who desire to retire earlier than the last day of the month.

In addition, in an Agency such as CIA where employees may be members of either of two separate retirement systems, a difference in so simple a matter as the beginning date of the annuity is confusing to the employee. The proposed change would conform the CIA Retirement System to the Civil Service Retirement System with respect to the beginning date of the annuity.

Section 2(2) Transfer of Contributions

This change permits the transfer of both the employer and employee contributions to the Government retirement fund from which the employee will receive his retirement benefits. At present, where an individual transfers into the CIA Retirement and Disability System from some other Government retirement system, there is provision for the transfer of the employee's contributions from the other Government retirement fund to the CIA fund, but there is no provision for transfer of the contributions made by the Government to such fund on the employee's behalf.

Further, there is at present no provision for the transfer of an employee's contributions from the CIA retirement fund to some other Government retirement fund in the event he changes employment. The result is that if an employee wishes to obtain credit for his CIA service under such other system, he must obtain a refund of his contributions and any interest applicable therein, pay tax on such interest, and then re-purchase service credit on the basis of his contributions plus the applicable interest rate under the retirement system which he has entered. This is inequitable and cumbersome. In addition, it denies to the receiving retirement system the benefit of the Government's contributions toward the retirement benefits ultimately to be granted to the employee.

The proposed change would correct the inequity to the employee and make it possible for the Government's contributions toward his retirement to be credited to the Government retirement fund from which his retirement benefits will ultimately be paid.

Section 2(3) Reemployment of Annuitants

This provision (to authorize an annuitant reemployed in the Government to retain the salary of the new position and so much of his annuity when added to the new salary as does not exceed the salary at the time of retirement) relates to one of the basic problems of CIA for which it sought relief in the Central Intelligence Agency Retirement Act of 1964 for Certain Employees. It is imperative that CIA hold down the average age of the group of employees covered by the Central

Intelligence Agency Retirement Act of 1964 for Certain Employees. The retirement program established thereunder permits voluntary retirement at a relatively early age.

These retirees, however, with few exceptions will need to seek a second career and may well desire such a career elsewhere in Government. CIA employees do not acquire status in the competitive service, however, and much of their experience and competence cannot readily be related to normal Government positions. It is more probable, therefore, that the retired CIA employee will only be able to qualify initially for employment in the competitive service several grades below his terminal CIA position. Only if he can retain at least a portion of his annuity will he be able to remain in Government service without a drastic lowering of his standard of living. The total offset of annuity upon reemployment in Government service, as required by the present Act, will tend to limit second career employment opportunities for CIA retirees to the private sector. It will thus tend to deny to the Government the services of individuals who, even though they have completed their CIA careers, are highly competent.

Retirees under the CIA Retirement and Disability System have earned their annuities at the time when they retire. This principle appears to have been established for the Reserve military officer and, more recently, the retired regular military officer, and for the retired Foreign Service Officer. With respect to retired military officers, a reservist can retain both his civilian salary and his entire annuity, and a regular officer can retain his salary plus the first \$2,000 of his annuity and 50% of the balance thereof.


SECTION 3

Federal Employees Pay Act

Civil Service Commission Regulations relating to premium pay (Federal Personnel Manual Supp. 990-2, at Book 550-2) issued under the authority of section 605 of the Federal Employees Pay Act of 1945, as amended, exclude officers and employees of the Central Intelligence Agency from coverage under the regulations.

This exclusion of Agency personnel from the Pay Act recognizes the pay-fixing authority granted to the Director of Central Intelligence in section 8(a) of the Central Intelligence Agency Act, as amended (50 U.S.C. 403j), and the specific exemption of the Agency's positions from the provisions of the Classification Act of 1949, as amended (5 U.S.C. 1082(16)). The Agency's unique conditions do not permit a salary administration program conforming in all respects to the specific principles and standards established in the two basic statutes governing salary administration in the classified Civil Service.

The Agency has developed a salary administration program which adheres closely to the principles and standards of the Classification Act regarding the classification of positions, establishment of entry salary rates, and the grant of merit and quality step increases and conforms generally to the principles and standards of the Pay Act regarding premium pay and hours of work. However, it has been necessary for the Agency to deviate somewhat from the specific practices required by these Acts to accommodate peculiar problems inherent in its mission and function. The proposed amendment clarifies the authority of the Director of Central Intelligence to do so by specifying the exclusion of its officers and employees from the provisions of the Pay Act.

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Remarks: <p>The attached paper has been drafted as a briefing aid to facilitate a thorough review with staff members of our legislative committees on the feasibility of various approaches to obtaining favorable action on needed amendments to the CIA Retirement Act for the present and in the future.</p> <div style="text-align: center; margin-top: 20px;">  Assistant Legislative Counsel </div>			
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